

District 1 — Justin Lardinois
District 3 — Barry Del Buono
District 5 — Ruben Navarro
District 7 — Vacant
District 9 — Julie Quinn
Mayor — Nhi Duong

(VC) Alex Shoor — District 2
Huy Tran — District 4
(C) Andrea Wheeler — District 6
Vacant — District 8
Michael Fitzgerald — District 10
Martha O'Connell — CAAC MR
Ryan Jasinsky — CAAC ML

*Commissioners are appointed by corresponding Council Members, but do not represent the Council District.

5:45 PM

MEETING AGENDA
REGULAR MEETING
MARCH 14, 2019
CITY HALL WING ROOMS 118-119

I. Call to Order & Orders of the Day

II. Introductions

III. Consent Calendar

A. Approve the Minutes for the Special Meeting of March 7, 2019

ACTION: Approve the March 7, 2019 action minutes

Note: The action minutes will be mailed and posted after March 7, 2019

IV. Reports and Information Only

A. Chair

B. Director

C. Council Liaison

V. Open Forum

Members of the Public are invited to speak on any item that does not appear on today's Agenda and that is within the subject matter jurisdiction of the Commission. Meeting attendees are usually given two (2) minutes to speak on any discussion item and/or during open forum; the time limit is in the discretion of the Chair of the meeting and may be limited when appropriate. Speakers using a translator will be given twice the time allotted to ensure non-English speakers receive the same opportunity to directly address the Commission.

VI. Old Business

VII. New Business

A. Recognition for Commissioner Thompson
(K. Clements, Housing Department)

**B. Affordable Housing Investment Plan Update
(R. Vanderveen, Housing Department)**

ACTION: Review the staff report on the Update of the FY 2017/18 - FY 2021/22 Housing Investment Plan for expenditure of affordable housing funds, and make possible recommendation to the City Council.

**C. Ad hoc committee Report-back on Ellis Act Recontrol Provisions
(Chair A. Wheeler)**

ACTION: Discuss the report back of the ad hoc committee on Ellis Act recontrol provisions, review the committee's draft letter to Council and authorize submittal of the letter as amended consistent with Policy 0-4, or request the ad hoc committee to return to the Commission with a letter to the City Council on this subject for approval at a future meeting.

**D. Ad hoc committee Report-back on Mobilehome Resident Evictions Tracking
(Chair A. Wheeler)**

ACTION: Discuss the report back of the ad hoc committee on tracking mobilehome resident evictions, and authorize the ad hoc committee to return to Commission with a letter to the City Council on tracking mobilehome resident evictions for approval within six months of the ad hoc committee's January 17 formation date.

**E. Housing Crisis Workplan Update
(R. Vanderveen and K. Clements, Housing Department)**

ACTION: Review staff's report on progress in implementing the City Council-approved 2018 Housing Crisis Workplan, and make possible recommendation to the City Council.

VIII. Open Forum

Members of the Public are invited to speak on any item that does not appear on today's Agenda and that is within the subject matter jurisdiction of the Commission. Meeting attendees are usually given two (2) minutes to speak on any discussion item and/or during open forum; the time limit is in the discretion of the Chair of the meeting and may be limited when appropriate. Speakers using a translator will be given twice the time allotted to ensure non-English speakers receive the same opportunity to directly address the Commission.

IX. Meeting Schedule

The next regular meeting is scheduled to be held on Thursday, April 11, 2019 at 5:45 p.m. in Wing Rooms 118-120 at San José City Hall, 200 E. Santa Clara St, San José, CA 95113.

X. Adjournment

The City of San José is committed to open and honest government and strives to consistently meet the community's expectations by providing excellent service, in a positive and timely manner, and in the full view of the public.

You may speak to the Commission about any discussion item that is on the agenda, and you may also speak during Open Forum on items that are not on the agenda and are within the

subject matter jurisdiction of the Commission. Please be advised that, by law, the Commission is unable to discuss or take action on issues presented during Open Forum. Pursuant to Government Code Section 54954.2, no matter shall be acted upon by the Commission unless listed on the agenda, which has been posted not less than 72 hours prior to meeting.

Agendas, Staff Reports and some associated documents for the Commission items may be viewed on the Internet at <http://www.sanjoseca.gov/hcdc>.

Correspondence to the Housing & Community Development Commission is public record and will become part of the City's electronic records, which are accessible through the City's website. Before posting online, the following may be redacted: addresses, email addresses, social security numbers, phone numbers, and signatures. However, please note: e-mail addresses, names, addresses, and other contact information are not required, but if included in any communication to the Housing & Community Development Commission, will become part of the public record. If you do not want your contact information included in the public record, please do not include that information in your communication.

All public records relating to an open session item on this agenda, which are not exempt from disclosure pursuant to the California Public Records Act, that are distributed to a majority of the legislative body will be available for public inspection at the Office of the City Clerk, 200 East Santa Clara Street, 14th Floor, San José, California 95113, at the same time that the public records are distributed or made available to the legislative body. Any draft resolutions or other items posted on the Internet site or distributed in advance of the commission meeting may not be the final documents approved by the commission. Contact the Office of the City Clerk for the final document.

On occasion, the Commission may consider agenda items out of order.

The Housing & Community Development Commission meets every Second Thursday of each month (except for July and December) at 5:45pm, with special meetings as necessary. If you have any questions, please direct them to the Commission staff. Thank you for taking the time to attend today's meeting. We look forward to seeing you at future meetings.

To request an accommodation or alternative format under the Americans with Disabilities Act for City-sponsored meetings, events, or printed materials, please call (408) 535-1260 as soon as possible, but at least three business days before the meeting.

Please direct correspondence and questions to:

City of San José
Attn: Viviane Nguyen
200 East Santa Clara Street, 12th Floor
San José, California 95113
Tel: (408) 975-4462
Email: viviane.nguyen@sanjoseca.gov

Para residentes que hablan español: Si desea mas información, favor de llamar a Theresa Ramos al 408-975-4475.

Riêng đối với quý vị nói tiếng Việt : Muốn biết thêm chi-tiết, xin vui lòng tiếp xúc với Viviane Nguyen, Đ.T. 408-975-4462.

對於說華語的居民: 請電 408-975-4450 向 Ann Tu 詢問詳細事宜。說粵語的居民則請撥打 408-975-4425 與 Yen Tiet 聯絡。

Para sa mga residente na ang wika ay tagalog: Kung kinakailangan pa ninyo ng inpormasyon, tawagan si Shirlee Victorio sa 408-975-2649. Salamat Po.



Memorandum

TO: HOUSING AND COMMUNITY
DEVELOPMENT COMMISSION

FROM: Jacky Morales-Ferrand

SUBJECT: SEE BELOW

DATE: March 7, 2019

Approved

Date

SUBJECT: AFFORDABLE HOUSING INVESTMENT PLAN UPDATE

RECOMMENDATION

Review the staff report on the Update of the FY 2017/18 - FY 2021/22 Housing Investment Plan for expenditure of affordable housing funds, and make possible recommendation to the City Council.

EXECUTIVE SUMMARY

The City of San José's Affordable Housing Investment Plan ("AHIP") summarizes the Housing Department's strategy to meet the demand for affordable housing given current funding. It quantifies the available funding for affordable housing and identifies priorities for how the City intends to invest its housing resources. The AHIP will serve as a guide for affordable housing development for this fiscal year and the next five years. A summary of the topics covered in the AHIP for FY 2017/18 - FY 2021/22 is provided below:

- A City of San José multi-year revenue projection of affordable housing revenue
- A proposed use of affordable housing funds
- An estimate of the total number of affordable units produced based on projections of all resources and opportunities

If the proposed AHIP is approved by City Council, it is estimated that 1,278 new affordable housing units will be added to the 1,146 currently in the managed pipeline and 946 units currently funded or under construction for a total of 3,370 new affordable apartments that will be created, under construction or funded by the end of 2021-2022.

In addition to City funded sites, additional affordable housing will be funded from non-City sources. The total to be funded and built from all sources during the next five years is 5,531 apartments. There is a significant shortfall in meeting the affordable housing production goal

established by the Mayor and City Council. Additional resources and implementing new strategies are needed to meet the goal of providing 10,000 affordable units.

BACKGROUND

The AHIP is a guiding document that defines how the Housing Department intends to invest funding for the development of affordable housing during a designated time period. Over the past few years, the plan has served as guiding document for determining the types of affordable housing and amounts of funding available for investment. **Table 1** lists these reports and other related reports approved by the Community and Economic Development Committee (CEDC) and/or City Council.

Table 1: Summary of Reports Approved by the CEDC

Date	Report	Summary
November 16, 2015 (CEDC)	FY 2015/16 – FY 2016/17 AHIP	Investment in permanent supportive housing in coordination with the County and Housing Authority
December 8, 2015 (City Council)		
May 22, 2017 (CEDC)	FY 2016/17 – FY 2017/18 AHIP	Investment in permanent supportive housing and on City-owned land
June 13, 2017 (City Council)		
September 28, 2017	Mayor’s Memo entitled <i>Responding to the Housing Crisis</i>	15-point strategy leading to the development of 25,000 homes in five years, of which 10,000 would be affordable
April 23, 2018 (CEDC)	FY 2017/18 - FY 2021/22 Affordable Housing Investment Plan	AHIP identified challenges in meeting the Mayor’s goal of creating 10,000 affordable homes and addressed potential funding strategies to address the projected shortfall of 4,385 homes
June 12, 2018 (City Council)		
June 12, 2018 (City Council)	Housing Crisis Workplan	Discussed possible means to increase housing production that were identified in both the Mayor’s memo and the AHIP
February 25, 2019 (CEDC)	Housing Crisis Workplan Update	Provided an update on the status of implementing the action items identified in the Housing Crisis Workplan

New Affordable Housing Developments Placed in the Managed Pipeline

In an effort to implement the most recent AHIF, the Housing Department issued a \$100 million Notice of Funding Availability (NOFA) in August 2018. The NOFA provided a mechanism for housing developers to submit written proposals for affordable, multifamily, rental housing projects for extremely low-, very low-, and low-income individuals and families. The NOFA introduced the concept of a “managed pipeline.” The pipeline consists of developments

demonstrating readiness for funding that have been placed in the highest priority for funding. If development timelines are not met, funding is shifted to the next “ready” development, thereby moving the other project further down in the managed pipeline. This allows the City’s investment to be made in developments ready to secure financing and begin construction.

Thirteen new affordable housing developments were submitted in response to the NOFA, exceeding the \$100 million by \$19 million. Eleven affordable housing developments were selected through the NOFA process and were placed in the managed pipeline. The other two projects submitted in response to the NOFA were placed on a wait list to enter the managed pipeline. As the City identifies additional funds, the two developments on the waitlist may be moved into the managed pipeline and excess funds will be made available through a subsequent NOFA. The eleven developments will result in 1,144 new, affordable housing apartments in San José, including 297 supportive housing apartments. Supportive housing includes two types of housing for formerly homeless families and individuals combined with supportive services – permanent supportive housing and rapid rehousing.

Current Pipeline Brings the City to 20% of the 10,000-unit Goal

The Mayor and City Council established a goal of building at least 10,000 new affordable apartments in San José by 2022. At the close of calendar year 2018, there were 946 apartments completed, under construction or in predevelopment. As the NOFA developments are approved by the City Council for funding, the number of apartments in predevelopment will increase. If all the projects are successful, this will bring the City more than a quarter of the way toward the 10,000-unit goal.

ANALYSIS

This document serves as an update to the FY 2017/18 – FY 2021/22 Affordable Housing Investment Plan (AHIP). The document provides an update on progress made toward adding 10,000 affordable housing opportunities and measures the gap to reaching the goal. It also provides updates on funding strategies to meet the 10,000-unit goal.

Exploring New Funding Sources for Affordable Housing

One strategy identified in the AHIP was to support legislation creating new funding sources for affordable housing. Changes in State law or local measures were strategies put in place to identify the sources of funding necessary to meet the 10,000-unit goal. An update on these items is provided below.

New Statewide Document Recording Fee (SB 2)

Senate Bill 2 (Atkins, 2017) provides a permanent source of funding for affordable housing by imposing a \$75 document recording fee on certain real estate transactions up to a maximum of \$225 per transaction per parcel. SB 2 is estimated to generate \$250 million annually, statewide.

San José will be an entitlement jurisdiction under the program and will receive funds non-competitively, as long as it has an approved Housing Element and submits an annual expenditure plan to the State. The City is estimated to receive approximately \$3.4 million annually from this new source, although that amount will vary per the volume of real estate recordings. The eligible uses for SB 2 funds are flexible and include creating and preserving affordable housing for all income levels up to 150% of Area Median Income (AMI) in high-cost areas. It can also be used for homelessness response strategies, homelessness prevention, and other uses.

Additional Funding for State Housing Programs (SB 3)

Senate Bill 3 (Beall, 2017) was approved by the voters as Proposition 1 in 2018. This measure authorized the State's issuance of \$4 billion statewide for affordable housing and veterans' loan programs. Of the total, \$3 billion will fund many of the State's programs that will support affordable housing rental developments and homeownership programs. Generally, to access funds in state programs, local agencies are required to provide a matching funding source.

Measure V Narrowly Defeated

To help address the identified need for additional funds to meet the Mayor's and the City Council's affordable housing goal, the City sponsored Measure V in 2018. Measure V authorized the issuance of \$450 million in general obligation bonds for the creation of affordable housing. Unfortunately, Measure V fell just short of its two-thirds vote requirement, earning 64% of the vote.

Governor's Budget Prioritizes Housing

In early 2019, Governor Gavin Newsom proposed a State budget that would allocate \$1.7 billion in one-time and ongoing funding to build affordable and moderate-income housing and to respond to homelessness. This includes an additional ongoing \$420 million for State low-income housing tax credits, \$500 million in one-time funding for the creation of moderate-income housing, and \$200 million in one-time funding as incentives to cities that build homeless shelters or permanent supportive housing. All these sources, if approved, could help fund affordable housing development.

Potential New Funds Through Upcoming Legislation

Prior to its bill introduction deadline of February 22, 2019, the State legislature introduced over 2,500 bills, with almost 200 bills on housing and homelessness. Two bills identified thus far could provide additional State funds for affordable housing:

- AB 14 (Rivas) Would appropriate an unspecified sum from the General Fund to be expended under the Multifamily Housing Program to fund housing for homeless youths and homeless families.

- AB 694 (Irwin) Would enact the Veterans Housing and Homeless Prevention Bond Act of 2019 to authorize the issuance of bonds in an unspecified amount to provide additional funding for affordable rental housing for veterans and other uses.

Administrative Actions to Facilitate Affordable Housing Creation

The Housing Department has completed multiple efforts to facilitate affordable housing creation since the AHIP was adopted. The following section outlines these accomplishments.

New Underwriting Guidelines Completed

As mentioned in the adopted AHIP, the Housing Department engaged a consultant to assist with an update of its Multifamily Underwriting Guidelines (the Guidelines). The City last updated the Guidelines in October 2006. Since that time, the economy and affordable housing industry changed significantly. Because the document was outdated, the Housing Department had to repeatedly seek City Council authorization for exemptions to the Guidelines as it sought approval on individual projects. This caused uncertainty for developers and added time and cost to the development process.

On August 28, 2018 the City Council approved the updated [Multifamily Underwriting Guidelines](#). The guidelines provide uniform standards and program rules for multifamily rental housing developments funded by the City. They provide transparency and certainty for both the City and developers, thereby ensuring a shared understanding of terms/expectations and streamlining the underwriting process.

\$100 Million NOFA Issued

When the City accumulates sufficient funds to invest in new affordable housing developments, it issues a Notice of Funding Availability (NOFA) stating the City's intent to fund affordable housing developments that meet the City's priorities. The NOFA references funding requirements as specified in its Multifamily Underwriting Guidelines.

In August 2018, the Housing Department issued a \$100 million NOFA for developers to submit proposed affordable housing developments that meet the City's funding priorities. The NOFA stated the City's limit of \$125,000 per unit, allowing for the stretching of valuable resources to as many affordable housing developments as possible. The NOFA reflected the approved City Council priorities listed below:

- Projects ready for immediate construction (project readiness);
- The provision of supportive housing for homeless individuals and families;
- Project cost effectiveness (keeping project costs as low as possible);
- The leverage of Affordable Housing and Sustainable Communities funding; and
- Developments proposed on City-owned sites.

The eleven selected developments reflect the City Council's overall goals for the NOFA. For additional information regarding the results of the NOFA, an [Information Memorandum](#) is available for review.

Table 2: NOFA Selection Criteria's and Results

Priority	Goal	Results
Project Readiness	Incentivize developments ready to secure financing and construction	Developments indicated readiness to apply for tax credit financing (entitlements in place and financing secured within the following timelines) <ul style="list-style-type: none"> • 6 months - 3 developments • 12 months - 6 developments • 18 months - 2 developments
Supportive Housing for the Homeless Population	Incentivize the creation of supportive housing (both permanent and rapid rehousing for the homeless population)	26% of the units are supportive housing <ul style="list-style-type: none"> • 297 Permanent Supportive Housing apartments • 54 Rapid Rehousing apartments
Project cost Effectiveness (\$125,000 per unit cap)	Incentivize cost saving construction techniques and leveraging to stretch valuable resources	\$101,200 per-unit subsidy across all 13 proposed projects
Affordable Housing and Sustainable Communities (AHSC)	AHSC program provides funding for affordable housing and infrastructure funding for the City	The largest number of AHSC applications (three) were submitted for AHSC funding this year for a total of \$48 million in potential AHSC funding: <ul style="list-style-type: none"> • Page Street • Roosevelt • Balbach
City Owned Property	Address statutory requirements to develop affordable housing within specific timelines	Three city-owned properties were moved onto the Managed Pipeline: <ul style="list-style-type: none"> • Balbach • Evans Lane • Gallup Mesa

The Housing Department will review the funds available at the close of each fiscal year and will release a NOFA in the subsequent fall. New affordable housing developments may apply for these funds on an annual basis.

Priorities for Future Funding

The adopted City Council priorities will continue to apply to future NOFA rounds. As stated in the adopted AHIP, the funding strategy will only be modified if there is a desire to change the population to be served, a change in the programs to be funded, or a major influx of revenue from a new funding source. Thus, until or unless these situations occur, the adopted AHIP establishes the direction for use of existing revenue sources through FY 2021/22. The Housing Department is recommending one modification to the adopted AHIP.

Future funding rounds will continue to prioritize funding for developments ready to secure financing and begin construction. Future funding will continue to address the ongoing needs of homeless population by making funding permanent supportive housing a priority. A review of data regarding the needs of extremely-low income (ELI) residents in San José and the number of apartments in the affordable housing portfolio, demonstrates that the need continues to outpace the supply (**Attachment A**). The Housing Department is recommending that at a minimum, 30% of total funds be used to fund ELI units. Cost effective developments continue to be a priority for the City. Creative approaches to containing cost will be rewarded in the NOFA scoring system. Finally, development on city-owned sites will continue to be a priority.

Funding for Acquisition and Rehabilitation of Existing Apartments

Priorities for funding in the coming year will also include a set aside of funds for acquisition rehabilitation developments. In these cases, a developer will propose the purchase of an existing market-rate rental development with the assistance of City funding. An affordability restriction associated with the funding will be placed on the property, creating new affordable housing. Previously, funds were only made available for new construction, not allowing developers to propose this type of development. Due to concerns regarding rising costs and potential displacement of existing residents, allowing for a small investment in acquisition rehabilitation developments will open the door to creative solutions while minimizing cost and displacement. The Housing Department is recommending a set-aside of up to \$10 million in the upcoming NOFA cycle for acquisition rehabilitation. It is important to note that this type of development will increase the number of affordable units but may not increase the overall number of units toward the goal of producing 25,000 total new units (10,000 affordable and 15,000 market rate apartments).

Funding for the “Missing Middle”

The majority of funding sources used by the Housing Department to finance affordable housing are limited to assisting residents between 30% and 60% AMI. Residents earning 61% to 80% of AMI (\$63,000 to \$75,000 for a two-person household) are considered low-income but do not qualify for the majority of affordable housing in San José. Additionally, moderate-income residents earning 81% to 120% AMI struggle to afford housing. Combined, these groups make up the “Missing Middle,” households that earn too much to benefit from affordable housing programs, but earn too little to comfortably afford market rate housing.

Revised Multi-Year Affordable Housing Projections

This section summarizes the revenue available to commit to the development of new affordable housing. The report includes all of the funding sources available to the City to finance affordable housing. **Attachment B** provides an overview of all funding sources available for affordable housing development.

Prior Year Revenue Projections

The Housing Department manages the revenue that is collected by the City for the development of affordable housing. **Attachment C** details the Housing Department's expected fund balance by source that was included in the AHIP which was approved by City Council in June 2018. Significant variances from the 2018 projections are summarized in the **Attachment C**. The total estimated funds available for affordable housing development for the five years encompassed by the adopted AHIP was \$335.1 million.

Affordable Housing Permitted, Under Construction and Completed

As of the end of calendar year 2018, the [Production and Preservation Report](#) indicated there are 946 affordable apartments permitted, under construction and completed since January 1, 2018.

Affordable Housing Managed Pipeline

Since the adoption of the AHIP, specific affordable housing developments were moved into the managed pipeline and funds were set-aside for moderate income households. Over \$100 million in funds were identified for the creation of 1,146 new affordable homes for the San José community.

Table 3: New Affordable Housing Managed Pipeline

Source	\$100 Million NOFA – City Council Commitments	\$100 Million NOFA – Managed Pipeline		Moderate Income Set-Aside
Low and Moderate Income Housing Fund	\$21,714,960	\$70,911,364		\$0
Affordable Housing Impact Fees	\$500,000	\$0		\$229,460
Inclusionary Housing Policy In- Lieu Fees	\$0	\$0		\$0
HOME	\$6,000,000	\$0		\$0
TOTALS	\$28,214,960	\$70,911,364		\$229,460
Total Funds Set Aside				\$99,355,784
ESTIMATED AFFORDABLE HOMES				1,146

Revised Revenue Projections

The Housing Department has revised its fund balance figures and future revenue projections for the five-year time period. The set-asides stated in **Table 3** above have been subtracted from the

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March 7, 2019

Subject: Affordable Housing Investment Plan Update

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revised figures listed in **Table 4** below. The Revised Affordable Housing Revenue Projections show an additional \$159 million through FY 2021/22.

Table 4: Revised Affordable Housing Revenue Projection

Source	FY 17/18 Year End Available for Development	FY 18/19 Estimated Revenue	FY 19/20 Estimated Revenue	FY 20/21 Estimated Revenue	FY 21/22 Estimated Revenue
Low and Moderate Income Housing Fund	\$8,262,000	\$23,062,000	\$4,500,000	\$3,500,000	\$3,500,000
Affordable Housing Impact Fees	\$738,000	\$511,000	\$41,488,000	\$0	\$0
Inclusionary Housing Policy In-Lieu Fees	\$10,702,000	\$12,456,000	\$15,592,000	\$1,780,000	\$1,770,000
Inclusionary Housing Ordinance In-Lieu Fees	\$0	\$3,251,000	\$2,675,000	\$2,842,000	\$0
Housing Authority Litigation Award	\$8,908,116	\$0	\$0	\$0	\$0
HOME	\$0	\$4,048,303	\$2,000,000	\$2,000,000	\$2,000,000
SB2 State Housing Trust Fund	\$0	\$0	\$3,400,000	\$3,400,000	\$3,400,000
TOTALS	\$28,610,000	\$43,328,000	\$67,655,000	\$11,522,000	\$8,670,000
Total Funding for Affordable Housing					\$159,785,000
ESTIMATED AFFORDABLE HOMES					1,278

The projected revenue is received from various one-time and on-going revenue sources that are required to be used for affordable housing development and/or related purposes.

Revised production target

The revised revenue figure projects that the Housing Department has \$159 million available to finance 1,278 new affordable deed-restricted apartments over the next five years. This assumption is based on the maximum funding limit of \$125,000 per apartment. **Table 5** below provides a revised projection of the total number of affordable apartments that can be created in San José from a combination of Housing Department financing and opportunities outside of the City resulting in new affordable housing.

Table 5: Number of Affordable Housing Apartments that can be Created in Five Years

OPPORTUNITIES	2017-2022 ESTIMATED FUNDING	ESTIMATED NEW UNDUPLICATED UNITS
City of San José Financing		
- Apartments Permitted, Under Construction and Completed		946
- Affordable Housing Managed Pipeline		1,146
- Affordable Housing Revenue Projections		1,478
Measure A	\$400,000,000	246
No Place Like Home	\$10,328,000	0
Inclusionary On-site		88
VTA sites		427
Housing Authority Sites		600
Private Development		300
Accessory Dwelling Units		500
Total	\$410,328,000	5,531

Given that the total number of affordable units projected to be funded from all sources during the next five years is 5,531 apartments, it is clear that additional resources and incentives are needed to meet the City's 10,000 affordable unit goal. At \$125,000 per unit, the City would need an additional \$558 million in order to fund the balance of 4,469 units.

Upcoming Policy Initiatives

In Spring, 2019, the Housing Department will begin work on two initiatives that will impact the location of future affordable housing in San José. The first project involves updating San José's Fair Housing Plan as required by the Federal Government and in concert with California Assembly Bill 686 (2018). The Plan will explore ways to take meaningful actions that combat discrimination, overcome patterns of discrimination, and foster inclusive communities free from barriers to opportunity based on race, ethnicity and other protected classes.

In addition, the Housing Department will modernize its affordable housing dispersion policy to guide where City-financed affordable development will occur. This policy would help ensure that affordable housing is distributed throughout the city, particularly in areas with access to high quality transit, job centers, parks, libraries, quality schools, and other amenities. Together these initiatives will influence how and where the City funds future affordable housing.

PUBLIC OUTREACH

The updated AHIP was reviewed and discussed at the public meeting of the Housing and Community Development Commission on March 14, 2018. Additionally, this memo was posted to the March 25, 2018 agenda for the Community and Economic Development Committee.

EVALUATION AND FOLLOW-UP

The Production and Preservation Report, posted on the City's website, provides an update on the progress towards meeting the 10,000-unit affordable housing goal.

COST IMPLICATIONS

Funding requests for specific developments will be brought forth individually to City Council for approval.

/s/
JACKY MORALES-FERRAND
Director of Housing

For questions, please contact Rachel VanderVeen, Deputy Director, at (408) 535-8231.

ATTACHMENTS:

- **Attachment A** – Affordable Housing by Income Level
- **Attachment B** – Funding Sources Description
- **Attachment C** – Prior Year Revenue Projections

AFFORDABLE HOUSING BY COUNCIL DISTRICT (2019)

Council District	2010 Housing Units	ELI Units	ELI % of Total Units	VLI Units	VLI % of Total Units	LI Units	LI % of Total Units	Additional HUD Units	HUD % of Total Units	Total Affordable Units	Aff % of Total Units
1	36,182	141	0.4%	220	0.6%	492	1%	322	0.9%	1,175	3%
2	28,681	46	0.2%	757	2.6%	643	2%		0.0%	1,446	5%
3	34,021	518	1.5%	2882	8.5%	1209	4%	115	0.3%	4,724	14%
4	33,039	49	0.1%	671	2.0%	394	1%	161	0.5%	1,275	4%
5	22,533	231	1.0%	971	4.3%	344	2%	489	2.2%	2,035	9%
6	39,181	417	1.1%	954	2.4%	1327	3%	218	0.6%	2,916	7%
7	26,793	764	2.9%	1267	4.7%	1097	4%	214	0.8%	3,342	12%
8	27,363	0	0.0%	24	0.1%	163	1%		0.0%	187	1%
9	34,212	254	0.7%	727	2.1%	278	1%	158	0.5%	1,417	4%
10	32,033	0	0.0%	0	0.0%	0	0%		0%	0	0%
TOTAL	314,038	2,420	0.8%	8,473	2.7%	5,947	2%	1,677	0.5%	18,517	6%

*Census, 2010

PSH is included (added in 2019)

TIP units included

HUD count is not verified.

May not include TCAC projects.

From Salesforce XX Report

One ownership project included: Tierra Encantada Townhomes - 8 EVL Units

Projects included have to be in service - excludes UC and Commitments

Projects have to have an active AR to be included

No shelters, transitional housing included

Council District	Total Housing (2010)	Aff % of Total Units
1	36,182	3%
2	28,681	5%
3	34,021	11%
4	33,039	4%
5	22,533	9%

6	39,181
7	26,793
8	27,363
9	34,212
10	32,033
TOTAL	314,038

7%
12%
1%
4%
2%
6%

City Funding Sources for Affordable Housing

This attachment provides an overview of the available funding sources for affordable housing and how they may be used.

Low and Moderate Income Housing Asset Fund

Redevelopment funding set aside for affordable housing was the major source of the City's financial resources until redevelopment's dissolution in 2011. Upon dissolution of the Agency, the City elected to retain the housing assets and the affordable housing functions of the Agency. The City now administers the affordable housing functions of the Agency as the housing successor subject to the provisions of the California Redevelopment Law ("CRL") which relate to affordable housing. Since that time, annual loan repayments and full loan repayments of the City's redevelopment-funded loans are deposited into the Low and Moderate Income Housing Asset Fund ("LMIHAF"). On October 12, 2013, The Governor signed into law Senate Bill 341 which amended provisions of the CRL relating to the functions performed by housing successors.

Unlike private lenders which generate income through receipt of set payments of principal and interest on outstanding loan balances, the City receives loan repayments from a share of properties' "residual receipts." Residual receipts are funds in excess of those needed to pay properties' operating expenses. While critical to the City's ability to operate and invest in new affordable apartments, the City's receipt of loan repayments is secondary to the social purpose of providing affordable, well-maintained properties that benefit the public. In fact, many cities receive minimal interest or residual receipt payments on their affordable housing loans. Homeless or deeply-affordable developments typically do not provide any annual repayments. San José, by comparison, has a relatively robust portfolio that provides a predictable stream of revenue that is used to help manage its portfolio of affordable apartments.

Eligible Uses

Under the revised CRL, eligible uses for LMIHAF include the development and major rehabilitation of rental housing with specific income targeting. Housing successors must spend all remaining funds on the development of housing affordable to lower-income households (less than 80% of the area median income (AMI)), with at least 30% for rental housing for extremely-low income households (less than 30% of AMI), and no more than 20% for households earning between 60-80% of AMI. Up to 50% of housing financed by a jurisdiction over a ten-year period may be provided for units of deed restricted rental housing for seniors.

Inclusionary Housing In-Lieu Fees

The Citywide Inclusionary Housing Ordinance ("Ordinance") requires that, in new market-rate developments of 20 or more homes, 15% of the homes be made affordable in both rental and for-sale developments. The Ordinance provides several alternative ways that the developer can meet its requirement, including payment of an in-lieu fee and construction of affordable homes off-site. When a developer chooses an alternative compliance option, including the payment of an in-lieu fee, the percentage requirement is increased to 20%.

The Ordinance's predecessor for new developments in redevelopment project areas was the City's Inclusionary Policy ("Policy"). The Policy has a requirement that 20% of newly-constructed for-sale homes be made affordable to and sold to moderate-income households. Like the Ordinance, the Policy allows payment of in-lieu fee revenue as an option to building the required affordable homes. Both the Policy and redevelopment project areas survived dissolution of the redevelopment agencies.

Eligible Uses

Eligible uses for Inclusionary in-lieu fees include new rental and for-sale construction for restricted affordable housing developments for ELI, VLI, LI, and moderate-income households.

Affordable Housing Impact Fee

On November 18, 2014, the City Council adopted the Affordable Housing Impact Fee ("AHIF") Resolution establishing the AHIF program. Under AHIF, new market-rate rental housing developments are charged a fee based on net rentable square footage to address the impact that type of development has on the need for affordable worker housing.

Eligible Uses

Eligible uses for AHIF funds include new rental and for-sale construction for restricted affordable housing developments for ELI, VLI, LI and moderate-income workers, per a prescribed methodology for varying levels of affordability. The methodology reflects the AHIF Nexus Study's analysis of market-rate developments' impacts.

Federal Community Development Block Grant (CDBG) Program

The City receives approximately \$8.4 million in CDBG funds annually. Projects receiving assistance must serve low and moderate income persons (defined by HUD as members of a family earning no more than 80% of AMI) and/or prevent or eliminate slums and blight.

Eligible Uses

Eligible uses for CDBG include public service, public facilities and improvements, code enforcement, economic development activities, planning and capacity building, rehabilitation, homeownership down payment assistance loans, and fair housing activities. Eligible activities that would support an affordable housing development include acquisition of real property and associated infrastructure work. CDBG specifically prohibits funds to be used for new housing construction.

Federal HOME Investment Partnerships (HOME) Program

The City receives approximately \$2.4 million in HOME funds by formula from the U.S. Department of Housing and Urban Development ("HUD") on an annual basis. It is the largest Federal block grant to local governments to create affordable housing for low-income individuals and families.

Approximately \$1.3 million in HOME funds is programmed for Tenant Based Rental Assistance (rent subsidies) annually for homeless individuals and families. The remaining \$1 million in annual revenue is set-aside for rental development.

Eligible Uses

Eligible housing activities include the investment in affordable rental housing and homeownership through the acquisition (including downpayment assistance to homebuyers), new construction, reconstruction, or rehabilitation of deed restricted affordable housing. Funds may also be used to provide direct rental assistance to a low-income household.

HUD Litigation Award

The City of San José's Housing Authority ("CSJHA") is a public entity formed under State Housing Authority law. Housing authorities typically receive rental vouchers, administrative funds, and other resources from HUD. However, CSJHA has an agreement with the Housing Authority of the County of Santa Clara's ("HACSC") under which the CSJHA authorizes HACSC to administer the CSJHA's rental voucher and other HUD programs on its behalf. The agreement requires HACSC to consult the CSJHA Board on policy and strategic decisions. The Board of CSJHA is the City Council, and its Executive Director is the Director of Housing.

On behalf of the CSJHA, HACSC filed suit against HUD in the U.S. Court of Federal Claims for breach of contract by HUD resulting in underpayment of funds. The suit was successful, and CSJHA received \$36.3 million in a litigation award in 2016 ("HUD Litigation Award Funds"). CSJHA may use these litigation award funds for purposes authorized under Housing Authority law for affordable housing purposes related to "housing projects" as defined under State law.

Eligible Uses

Eligible uses for the funds include rental subsidy vouchers, outreach and case management supporting placement of households in certain low-income developments, and new construction and rehabilitation of low-income housing developments and related programming for low-income residents.

SB2 State Housing Funds

SB 2 provides a "permanent source" of funding for affordable housing by imposing a \$75 fee on each recorded document up to a maximum of \$225 per transaction per parcel, estimated to generate \$250 million annually, statewide. It estimated that the City will begin to receive funds in FY19/20 of approximately \$2 million in the first year and \$3 million on-going.

Eligible Uses

Eligible uses for SB2 includes homeless solutions such as rapid rehousing, emergency shelters, and navigation centers. Acquisition and rehabilitation of foreclosed or vacant homes. Development activities include, predevelopment, development, acquisition, rehabilitation, and preservation of multifamily rental housing that is affordable to ELI, VLI, LI and moderate-income households including operating subsidies. Affordable rental and homeownership housing for workforce housing earning up to 120% of the AMI or 150% of the AMI in high-cost areas.

Five-Year Affordable Housing Funding Projection from the Adopted Plan

Source	FY 17/18 Committed Projects	FY17/18 Available for Development	FY 18/19 Estimated Revenue	FY 19/20 Estimated Revenue	FY 20/21 Estimated Revenue	FY 21/22 Estimated Revenue
Low and Moderate Income Housing Fund	\$27,574,000	\$51,960,000	\$41,500,000	\$5,500,000	\$5,500,000	\$5,500,000
Affordable Housing Impact Fees	\$0	\$1,197,000	\$11,995,000	\$46,000	\$0	\$0
Inclusionary Housing Policy In-Lieu Fees	\$0	\$11,400,000	\$10,322,000	\$13,800,000	\$0	\$0
Inclusionary Housing Ordinance In-Lieu Fees	\$0	\$0	\$3,251,000	\$25,000,000	\$55,991,000	\$25,000,000
Housing Authority Litigation Award	\$0	\$19,000,000	\$0	\$0	\$0	\$0
HOME	\$1,500,000	\$4,000,000	\$3,100,000	\$1,000,000	\$1,000,000	\$1,000,000
SB2 State Housing Trust Fund	\$0	\$0	\$0	\$2,000,000	\$3,000,000	\$3,000,000
TOTALS	\$29,074,000	\$87,557,000	\$71,168,000	\$47,346,000	\$65,491,000	\$34,500,000
					Total	\$335,136,000

The following describes projected revenue sources in more detail:

- Low and Moderate-Income Housing Affordable Fund (LMIHAF)** – The Housing Department has engaged TCAM to develop a revenue projection model based on its review of over 90 of the City’s most significant affordable housing assets and created a projected revenue model. This model estimates that the City can anticipate up to \$5.5 million annually in LMIHAF repayments that can be dedicated to new affordable housing developments over the next five years. Affordable housing developers typically will seek to reinvest in their existing projects after expiration of their tax credit compliance period because the project is eligible to receive new tax credit financing. It is anticipated that some developments will decide to repay their City loans each year when their tax credit compliance period ends.
- Inclusionary Housing Policy (Policy)** – Formerly under the Redevelopment Agency, the Policy required that twenty percent (20%) of all for-sale developments of 10 or more units located in Redevelopment Project Areas be price-restricted and sold to moderate-income purchasers and twenty percent (20%) of all rental developments of 10 or more units be restricted to very low income (50% of the Area Median Income (AMI)) and low (60% AMI) or moderate (120% AMI) income households. The Policy, as last amended in 2007, included alternative compliance options including payment of an in-lieu fee (at \$17 per square foot). To date, there are three projects that are still under construction and are expected to pay in-lieu fees to fulfill their obligation. Note that the Policy was not extinguished by the dissolution of the Redevelopment Agency in 2012 but was replaced when the Inclusionary Housing Ordinance (see below) became operative.

- Inclusionary Housing Ordinance (IHO)** – On January 12, 2010, the San José City Council adopted the Inclusionary Housing Ordinance, Chapter 5.08 of the San José Municipal Code. The Ordinance applies to for-sale and rental market rate developments of 20 or more units. Although the Ordinance was operative on January 1, 2013, its implementation was initially prevented by a stay imposed by the Santa Clara County Superior Court, resulting from a challenge submitted by the California Building Industry Association in *California Building Industry Association v. City of San José*. Upon conclusion of this case, the IHO being operative on June 30, 2016 and City Council adopted a resolution providing a grace period suspending the Ordinance requirements for for-sale projects that had acquired all their Planning Permits on or before June 30, 2016. Also the provisions of the IHO did not apply to rental developments due to the *Palmer v. City of Los Angeles* case. On September 29, 2017, the Governor signed Assembly Bill 1505, amending the State Planning Act to supersede the court decision and authorized rental inclusionary restrictions thus allowing the IHO to apply to rental developments effective January 1, 2018. In addition, the City Council adopted resolution 78473 amending the Affordable Housing Impact Fee (AHIF) Resolution to provide a framework for a transition process between the AHIF and the IHO program for all rental developments. Under the transition program, rental projects that submit an eligible planning application (Conditional Use, Planned Development, Site Development, or Special Use Permit), pay all planning fees, submit an Affordable Housing Compliance Plan, and pay the application fee before June 30, 2018 are eligible to remain under the AHIF program instead of being treated under the IHO. Therefore, a majority of the rental projects that are in the pipeline are under the AHIF (as described below). The IHO in-lieu fee for FY18-19 are \$125,000 per rental affordable unit and \$167,207 for for-sale affordable unit (which is applied to 20% of the total unit count). The fee is collected at the time the final certificates of occupancy are issued. An increase in the collection of IHO in-lieu fees is expected to be generated after the two-years after the IHO is imposed on rental developments and the completion of the four grace period projects (for-sale).
- Affordable Housing Impact Fee (AHIF)** – Adopted in 2014, the AHIF requires rental developments with three (3) or more units to pay an impact fee based on a \$17 per square foot fee. The AHIF includes a 2.4% escalator increasing the fee at the start of each fiscal year. The current AHIF is \$17.83; the fee is due prior to building permit issuance and at the rate at that time. If a rental development is under the AHIF, the only compliance option is paying the impact fee. Currently there are 25 rental developments that are expecting to pay the impact fee. So far two projects have paid their AHIF in FY17-18 and FY18-19, totaling approximately \$1.6 million.

In addition, upon adoption of the AHIF program, the City Council included a Downtown High-Rise Exemption intended to encourage high-rise residential developments in the City's downtown core. To date, no projects have completed the required units to fully qualify for the exemption under the AHIF. However, two projects have pulled building permits and will likely obtain their final Certificates of Occupancy by June 30, 2021. Thus Housing staff are in the process of preparing a memorandum that will provide the City Council with the required information and analysis for the projects that qualified for all the exemptions and the impact fees/in-lieu fees foregone, as of December 31, 2018. The Housing Department plans to bring this Exempted Projects Report to City Council at the end of April 2019.

It should be noted that in the previous AHIP report \$3.4 million in AHIF revenues was anticipated to be set aside for moderate-income for-sale housing. These funds are not included in the revenue chart and the Housing Department is in the process of reassessing if these funds should be used for multifamily housing or moderate-income for-sale housing. There are other funds the Housing Department may have from Inclusionary Policy loan repayments that could be set aside for moderate-income for-sale housing. Thus these funds have been readjusted to include all total revenue projections for all sources.

- **Housing Authority Litigation Award** – The one-time funds from the Housing Authority Litigation Award are being utilized to fund interim housing solutions including the construction and services for Bridge Housing Communities (approximately \$7 million). These funds are also being considered for acquiring additional interim housing solutions such as a motel (projected \$6 million). These priorities have reduced the amount of funding available for new construction from \$19 million in the 2018 plan to \$8.9 million in the AHIP update.
- **HOME** – The majority of the annual HOME allocation is currently used to fund rapid rehousing subsidies for homeless residents. The TCAM model estimates that there will be future repayments of HOME funds that have been included in the revenue projections. These HOME repayments can be reinvested into the development of new affordable housing.
- **SB2 State Housing Trust Fund** - SB2 establishes a State Housing Trust Fund. The legislation requires that 70% of funds collected after January 1, 2019, be provided to local governments. The funds will be distributed to jurisdictions using the federal Community Development Block Grant (CDBG) formula. It is estimated that SB2 will generate approximately \$250 million a year of which 83% will be allocated to cities that already receive a direct allocation of CDBG funds. Based on this formula, staff is estimating that by the second year, the City will receive an allocation of approximately \$2 million in the first year and \$3 million annually.



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Kim Walesh
Rosalynn Hughey
Jacky Morales-Ferrand

**SUBJECT: THE HOUSING CRISIS
WORKPLAN**

DATE: June 1, 2018

Approved

Date

6/1/18

RECOMMENDATION

Accept the staff report and approve the Housing Crisis Workplan.

OUTCOME

Implementation of the proposed workplan will enable staff to prioritize implementation and policy actions that facilitate the development of 15,000 market-rate and 10,000 affordable residential units by 2022.

BACKGROUND

On September 28, 2017 the Mayor issued a memorandum entitled "Responding to the Housing Crisis." This memo identified a large number of items to address the housing crisis and directed staff to identify which items could be implemented within an existing work program, which items required additional resources and prioritization at the October 17, 2017 Priority Setting Session, and which items would consume undue staff time, public cost or risk that would outweigh the likely benefit.

On October 12, 2017, Staff wrote a supplemental memo to City Council which identified 1) which items were "green light" items that staff would add to their department workplans; 2) which items were "yellow light" items that should be prioritized, and 3) which items would consume undue staff time, public cost or risk that would outweigh the likely benefit.

On October 17, 2017, City Council voted on those items that were considered "yellow" light as part of the Council Priority Setting Session. Of the seven "yellow" light items, two moved forward to prioritization and five did not receive sufficient votes to move forward (these items are detailed for reference in the *Items with No Work Currently Proposed* section below). The

update to the Accessory Dwelling Unit and Garage Conversion ordinance was ranked in the Top Ten priority items.

On April 23, 2018, staff presented the Affordable Housing Investment Plan to the Community and Economic Development (CED) Committee. The Affordable Housing Investment Plan memorandum included potential strategies to help support the development of affordable housing.

ANALYSIS

This memorandum represents an analysis of the items included in the Mayor's September 28, 2017 memo, Council's October 17, 2017 Priority Setting Session, strategies identified in Housing staff's April 23, 2018 memo to the CED Committee, and other potential strategies to support and accelerate residential development in San José.

Housing Market Context

While the local economy is continuing to expand and create demand for high-skilled worker housing, San José's housing market has matured and slowed due to increases in the costs associated with new construction, and the flattening of rents relative to these increased costs. While speculative development remains challenging in many parts of San Jose, there are some developments already in the pipeline that could proceed in the near term. In addition, it is likely that some developers are exploring options and entitlements for development in the future. The Housing Crisis Workplan is intended to respond to these conditions by looking for opportunities to accelerate "shovel-ready" development projects to move forward during the current cycle, and ensure that development projects are poised to respond to any changes in economic conditions.

Between the years of 2009 and 2017, an average of 3,000 units were built per year. While San José's housing production may drop below this average over the next five years, the City can achieve its housing goal of 15,000 market rate units by 2022 through a combination of new construction and residential entitlements. This workplan focuses on work items that will move projects to construction in the near term, increase the number of housing entitlements approved by the City, and position development entitlements and permits to be able respond quickly to market conditions.

Housing Crisis Workplan

The following section describes the proposed work items presented in four categories:

1. Council Prioritized/Directed: Work Underway
2. Other High-Return Strategies: Initiate/Continue Work Next
 - a. Market Rate
 - b. Affordable
3. Lower Priority/Lower Return Items: To Be Initiated
4. Items with No Work Currently Proposed

I. Council Prioritized/Directed: Work Underway

Work in this category is considered High Return meaning “High Return on Units” (ROU) toward the 25,000-unit goal next five years. These items are underway and slated to be completed prior to the end of the calendar year.

Transition from Level of Service to a Vehicle Miles Traveled CEQA Threshold:

On February 27, 2018 the City Council adopted a new Transportation Analysis Policy 5-1 that established Vehicle Miles Traveled as the new CEQA threshold for transportation impacts, thereby eliminating Level of Service, or automotive delay, as a CEQA threshold in San José. The new Policy 5-1 will provide a more streamlined entitlement process for housing development that is consistent with and implements the Envision San José 2040 General Plan.

Urban Villages:

Horizon I Urban Villages collectively are a key growth area for new housing, providing near-term housing opportunities in Villages with City Council-approved Urban Village Plans. Given this, the City Council directed staff to move Horizon II or III Urban Villages located along existing fixed rail or Bus Rapid Transit into Horizon 1 to accelerate residential development. As part of the annual General Plan review this fall, staff will bring for City Council consideration recommendations on Villages to move into Horizon I. Moving Villages into Horizon I will not, in and of itself, facilitate housing since Urban Village Plans also need to be approved by Council prior to the approval of new residential units that are not part of a larger Signature Project. Staff have recently initiated the preparation of Urban Village Plans for the Berryessa BART (Horizon 1) and the North First Street (Horizon 2) Urban Villages. In addition staff recently was awarded grants to complete Urban Village Plans for the Southwest Expressway (Horizon 2), Race Street (Horizon 2), and Alum Rock East (Horizon 3) Urban Villages, all of which include a light rail station. Staff will also be seeking funding through grants and/or a budget request to complete other light rail Urban Villages that the Council approves this fall to be moved into Horizon 1.

Another Urban Village item in this work plan was to complete the Urban Village Implementation and Amenities Framework. This Framework was approved by the City

Council on May 22. As directed by Council, staff will begin developing the Urban Village Zoning districts and framework this fall, with Council consideration of these zoning amendments in the spring of 2019.

Accessory Dwelling Units:

Accessory dwelling units (ADU) are number nine on the City Council Priority List. Staff will be bringing accessory dwelling units zoning code amendments for Council consideration on June 19th. These amendments will provide additional flexibility for the development of ADU's as a means to encourage their production and provide more housing opportunities in San José. Historically, few ADU's have been built in San José, in part because regulations limited their development. Between 2009 and 2016, 16 units were built each year, on average.

While ADUs will remain a relatively small portion of the City's housing production, their construction is anticipated to grow significantly and play an important role in achieving the City's housing goal. Following a significant relaxation in ADU zoning regulations by the City Council in December of 2016, the number of units produced in 2017 shot up to 92 units. In the first four months of 2018, 52 permits have been issued for ADU's, with a total of 22 in April alone. With Council approval of the proposed ADU zoning code amendments in June, the number of ADU's built is anticipated to increase further.

Staff are projecting that 1,000 new ADUs could be built between now and the year 2022, an average of 200 per year. Half of these units (500) are anticipated to be naturally affordable given their size, and per state guidelines could count towards the City's affordable housing production.

To encourage ADU production, the Housing Department and PBCE are planning to develop an ADU educational and promotional campaign. To develop and implement this campaign, staff will partner with the Housing Trust Silicon Valley, which recently received funding for a staff position to focus on ADU outreach, education, and potentially financing. The campaign may include an enhanced web site, educational handouts or "how to" manuals, and ADU educational and promotional events. The City has already received funding to develop an ADU educational video, similar to an award-winning video on single family additions.

North San José:

The review of the North San José Development Policy is Item Number 11 on the Council Priority list. This item includes the completion of environmental work and proposed policy amendments necessary to move 4,000 housing units, including 2,400 affordable units, in excess of the Phase I "cap" of 8,000 units. Opening up more housing capacity in North San José is anticipated to be one of the most significant and impactful work items that will move the City towards its goal of building or entitling 25,000 new housing units by the year 2022. Staff have identified a path forward to adjust the phasing in the North San José Development Policy to make all Phase II development capacity available for construction

now, including 8,000 new housing units. This work is anticipated to be completed over the summer with Council consideration of Development Policy amendments this fall.

Of the 8,000 housing unit capacity that would be made available through Policy amendments, 3,200 units will need to be affordable, with the remaining 4,800 units available for market rate development. This 3,200-unit capacity includes 1,600 affordable units from Phase I that were not built and moved to Phase II, and the 1,600 units that were originally planned in Phase II. Staff will be proposing Policy amendments to ensure that the total 3,200-unit capacity of affordable housing gets built and not pushed out to a later Phase. Staff will also propose criteria that market rate housing development will need to meet to be allocated a portion of the new 4,800 market rate unit capacity. These criteria could include minimum densities and the inclusion of place-making amenities and retail, as well as the inclusion of affordable housing units.

Downtown:

Downtown San José has and will continue to provide one of the City's primary opportunities for new housing. Recognizing this, the City Council directed staff to focus resources to enable the construction or approval of 12,500 new units Downtown by 2022, in part by completing an update to the Downtown Strategy and EIR. This Strategy update will add 4,000 housing units to the capacity Downtown, establishing a total residential capacity of 14,000 units, and provide a more streamlined permitting approval process. Completing the Downtown Strategy update is a primary focus of City staff and the Strategy update is anticipated to come to Council for its consideration in the fall of 2018.

In addition to completing the Downtown Strategy update, the Council directed staff to:

- Modifications to the downtown zoning code including establishing height minimums, minimum densities, and requirements for ground floor active uses, and eliminating parking requirements
- Expand the boundaries of Downtown

The above work items are not anticipated to significantly impact housing production; however, with the approval of the proposal for two Planners to focus on housing in Downtown, Berryessa BART and North San José, staff would complete these items by the spring of 2019, building off the work of the Downtown Strategy Update.

West San José EIR:

The City of San José received a \$1.39 million grant from the Metropolitan Transportation Commission to fund the preparation of Urban Village plans for the Stevens Creek, Santana Row/Valley Fair and the Winchester Urban Villages. This grant also funded the preparation of a West San José EIR that would analyze the environmental impacts of these three "Tri Village" plans and the West San Carlos and South Bascom Urban Village Plans collectively.

With the Council approval of the “Tri Village” plans on August 8, 2017, staff are preparing a West San José EIR. Related to this EIR, staff have also been preparing a West San José Multi-Modal Improvement Plan (MTIP), identifying needed multi-modal transportation improvements as well as a funding strategy. Both the West San José EIR and MTIP are anticipated to go to Council for consideration in the fall of this year.

PDO/PIO Fee Study:

A residential project’s “parkland obligation” is based on the requirements of two Municipal Code Chapters: 14.25 Park Impact ordinance (PIO) and 19.38 Parkland Dedication ordinance (PDO). These ordinances require new residential development to provide three acres of land for every 1,000 people added to the community by a project.

A project’s parkland obligation can be met through the dedication of land, or payment of park impact in-lieu fees equivalent to the acreage of land required, or construction of new or rehabilitation of existing public recreational amenities. PRNS highly prioritizes land dedication as the means for a project to meet its obligation because it is very difficult for the City to compete with developers to buy land when market values exceed assessed values. When land dedication or other recreational improvements are not feasible, PRNS provides a mechanism to allow the developers to pay an “in lieu” fee that is then used to build new or redevelop existing parkland, community centers, and trails.

PRNS is in the process of updating the Greenprint which is the long-term strategic plan that guides the future expansion of San José’s parks, recreation facilities and community services. Once the Greenprint update is complete (expected in 2018), PRNS will analyze how park impact fees are assessed under the Park Impact and Parkland Dedication ordinances (PIO/PDO).

Regional Housing Strategy: CASA – The Committee to House the Bay Area:

Leaders from across the Bay Area are working together to build an actionable housing plan that will increase housing production across the region targeting all levels of affordability, preserve existing affordable housing, and protect vulnerable populations from housing instability and displacement. The Mayor is a member of the CASA Steering Committee and the Director of Housing is a member of the Technical Committee. The CASA process began in June 2017 and it is anticipated that the process will be completed in Spring 2019. The final work product will include regional solutions in all three identified areas including production, preservation, and protection.

Anti-Displacement and Dispersion Strategies:

Urban growth may result in the displacement of existing residents who cannot afford the increased housing costs. For the last three years, the Housing Department has been working on strengthening tenant protections which have included lowering the annual rent increases in rent stabilized apartments, creating just cause eviction protections, and creating an Ellis Act Ordinance that provides relocation and other rights for tenants displaced due to redevelopment of their buildings. The City has also worked on mobilehome park closure

policies to increase transparency for park owners wishing to close and convert their parks, which are subject to mobilehome rent stabilization. However, the City needs to develop a more comprehensive set of tools to prevent and mitigate displacement as the community continues to densify.

San José was recently named part of a 10-city anti-displacement learning cohort sponsored by PolicyLink, a national equity and community development nonprofit based in Oakland. The San José team includes Vice Mayor Magdalena Carrasco, Director of Housing Jacky Morales-Ferrand, and Director of Planning, Building and Code Enforcement (PBCE) Rosalynn Hughey. It also includes three representatives from San José nonprofits – Derecka Mehrens from Working Partnerships, Nadia Aziz from the Silicon Valley Law Foundation, and Shiloh Ballard from the Silicon Valley Bike Coalition. The team will assess local challenges and will determine tools appropriate for San José. Part of that work will include significant community outreach to local organizations and residents to determine their concerns and desires. Staff expects this work to result in the creation of an Anti-displacement Plan for City Council consideration in 2019.

Advocate for State Legislation:

While many communities responded to the loss of redevelopment by passing local bond measures, State funds remain a vitally important financing layer needed to create affordable housing. During the last legislative session, the State Legislature passed SB 3, the Veterans and Affordable Housing Bond Act of 2018. SB 3 authorizes the issuance of \$4 billion in State General Obligation bonds. If approved by the voters in November 2018, it will fund a range of affordable housing preservation and construction activities, infill infrastructure, and transit-oriented development. Of the total, \$1 billion will be earmarked for a veteran's homeownership program, and \$3 billion will fund existing State affordable housing programs. This session's SB 1206 (De León) authorizes the State to put on a Statewide ballot the \$2 billion No Place Like Home Act, originally passed by the legislature in 2016, but delayed due to legal challenge.

City staff continue to actively track dozens of housing-related State bills, and are working with the City's lobbyists to give feedback on key legislation. Several active bills could create investments in affordable housing. Their current status is as follows.

Two bills, AB 3171 (Ting) and AB 912 (Beall, Skinner), seek to use a significant portion of the State's surplus for one-time funding of a variety of strategies to address homelessness, including creation of Permanent Supportive Housing. AB 3171 (Ting) would provide \$1.5 billion in one-time funding for matching grants to cities to address homelessness. AB 912 (Beall, Skinner) would authorize \$2 billion in one-time funding to State programs and to matching grants for local government to address homelessness. Given their large proposed sizes, these bills are currently being negotiated through the State budget process. As an alternative to the proposed bills, Governor Brown proposed \$359 million in his May Budget Revise for one-time stop gap funding for affordable housing, including \$250 million in emergency flexible spending block grants to Continuums of Care for

homelessness. On May 16, 2018, Senate leadership released a new Senate Housing budget proposal, which proposed the State invest \$5 billion over 5 years to State housing programs and to matching grants for cities and counties to address homelessness. Staff will be able to determine the amount of additional State resources allocated to housing and homelessness when the State Budget is adopted on June 15, 2018.

In addition, SB 918 (Weiner, Rubio) would establish a State Office of Homeless Youth and would provide \$60 million in annual grants to address youth homelessness.

Deferral of Payment of Fees to Certificate of Occupancy:

Under the City's current provisions for the collection of impact fees and taxes, payment occurs at the issuance of building permit upon completing the building permit review process. The purpose of this is to ensure that these fees are paid by the developer in a timely manner, using the issuance of the permit as a clear delineation. Some developers have provided feedback that deferring payment of these fees until issuance of the Certificate of Occupancy would help defer upfront costs and improve the chances of a project going forward. Currently the Inclusionary Housing Ordinance's (IHO) In-Lieu fee has provisions for payment at Certificate of Occupancy and several recent incentive programs have made use of this provision. In the case of IHO, the developer is entering into an agreement with the City which provides additional recourse for non-compliance. One concern with the deferral approach is that there is often significant pressure once a development is constructed to allow residents to move in, and the holding up of the Certificate of Occupancy becomes increasingly difficult. Staff will continue to work with the City Attorney's Office to refine an approach to resolving these challenges and will return to Council in the fall with appropriate actions.

II. Other High-Return Strategies: Initiate/Continue Work Next

In addition to analyzing the items prioritized and directed by Council, staff has explored other strategies to increase both market-rate and affordable housing development.

a. Market Rate Housing

Move the West San José Urban Villages into Horizon I:

As discussed at the April 26 and May 1 first Study Sessions, West San José is the location in San José where market rate housing development is most likely to break ground in the current market, given that rents are high enough to offset the high and increasing cost of construction. The Winchester, Santana Row/Valley Fair, and Stevens Creek Urban "Tri Villages" have a combined unbuilt and unentitled housing capacity of 7,521 units. The Villages are currently Horizon III however, and these plans include policies that make it challenging for housing projects to move forward using the General Plan's Residential Pool policy. To unlock the housing capacity of the Tri Villages staff, recommend that these Villages be moved from Horizon III to Horizon I one as part of the 2018 General Plan Annual Review.

While the economics of new residential development are likely not as strong as in the Tri-Villages, staff recommends that the South Bascom Urban Village also be moved to Horizon 1. This Urban Village is currently Horizon III, but is adjacent to a light rail station, and has a City Council-approved Urban Village Plan. The South Bascom Urban Village has a housing capacity of 1,560 housing units. Moving the South Bascom Urban Village, together with the Tri-Villages, into Horizon I would increase the City's immediately available market rate housing capacity by 9,081 units.

Downtown Highrise Construction Tax Reduction and Affordable Housing Exemption:

With approximately 4,000 residential units in the pipeline, Downtown is currently the nearest term opportunity to capture housing in this market cycle. The current Downtown Highrise Incentive requires projects to have pulled building permits by July 31, 2018, and scheduled final inspection for eighty percent of the residential units within the downtown highrise structure on or before December 31, 2020. There are a number of projects that are close to being ready to move forward but would likely not make this deadline.

The current incentive involves a 50% reduction in Parks fees (PDO/PIO) and Construction Taxes. On December 19, 2017, the City Council adopted a new permanent Downtown Core Highrise PDO/PIO Fee Category (Resolution no. 78474) for projects that are 12-stories (or more) located in the Downtown Core, to recognize the different occupancy patterns occurring in highrise development. The construction tax portion of the incentive is now the primary benefit for eligible projects.

Prior to the transition to the Inclusionary Housing Ordinance (IHO) in December, 2017, the Affordable Housing Impact Fee (AHIF) Program included an exemption for downtown highrise projects that received Certificate of Occupancy prior to June 30, 2021. On December 19, 2017 City Council directed staff to bring forward a resolution to authorize reducing fees to zero for Downtown Highrise projects to align the IHO provisions with those of the prior AHIF and to ensure that projects under development are not subject to changing circumstances. Staff will return to Council later this month to finalize this implementation action.

In conjunction with the work outlined in the previous section to defer payment of fees until Certificate of Occupancy, staff is proposing to extend the incentive on Construction Taxes (50% reduction) that requires building permits by July 31 to align with Council's direction on the IHO exemption—to receive a Certificate of Occupancy prior to June 30, 2021. This would likely give several projects on the verge of moving forward an additional year to pull building permits.

As a new policy consideration, an extension of the construction tax incentive would be subject to the new provisions for including workforce standards in projects receiving a public subsidy. Prior to bringing the extension forward to City Council, staff will need to complete an Infeasibility Analysis in conjunction with a third-party development consultant

to demonstrate that the subsidy is required for projects in the highrise subcategory to be viable.

Establish a Housing Concierge Service:

Staff propose to establish a “Housing Concierge” Service to facilitate and promote both market rate and affordable housing opportunities. This service would help housing developers with site selection, and help navigate the City’s policy and ordinance framework, and entitlement process. This service would also proactively market housing sites or opportunities to potential developers and investors, informing them of programs such as Opportunity Zones and the associated federal tax benefits, and locations within the City with potentially expedited CEQA due to low Vehicle Miles Traveled conditions.

The “Concierge Service” would comprise of a team of largely existing staff in the Office of Economic Development (OED), PBCE, and Housing. Ultimately, an effective Concierge Service will require a dedicated lead position, ideally in the City Manager’s Office. OED’s Business Development Program currently provides these types of concierge services to businesses and developers, including residential developers in key growth areas such as North San Jose and Downtown. Staff is exploring whether to reallocate a portion of a Business Development Officer position to lead efforts related to encouraging housing development, or recommend adding other resources in the City Manager’s Office to be the lead on the Housing Concierge Service. The Housing Department also recently received a grant from Destination:Home Silicon Valley to fund an Affordable Housing Planner position in PBCE for three years. This new position would be an integral part of the Concierge Service, but focus on affordable housing only.

In addition to providing services to housing developers and marketing housing opportunities, the team would oversee and coordinate the implementation of this work plan. As part of this effort, staff will develop a spatial data base of housing opportunity sites. Staff could also potentially identify and undertake other policy or ordinance work, or process improvements that would facilitate housing.

Permit Timelines:

Following the Great Recession, San José experienced several years of a relative housing boom as demand, market, and economics aligned to provide a fertile environment for new residential development. The City’s ability to respond to this opportunity quickly resulted from many projects located in key growth areas being entitled and receiving development clearances immediately prior to the recession. This meant that as the market returned many development projects in Downtown and North San José were poised to break ground as financing became available; they had a more favorable risk profile than projects that were just getting underway. To the extent that the current development cycle begins to slow and potentially stall, staff recommends being prepared to undertake amendments to significant development projects to allow the extension of permits beyond the typical two years, with two one-year extensions. This will provide developers that same opportunity to get ahead of the cycle and deliver more housing units within a shorter timeframe.

Cost of Residential Development Models:

During the recent City Council Cost of Development Study Sessions on April 26 and May 1, staff presented an average cost of development for multi-family residential development. Providing a clear, consistent, and transparent basis for understanding the City's fee requirements gives developers the opportunity to refine their pro-forma early in their process and reduces the risk of under estimating fees. Staff recommends continuing to refine and update the cost of development models created for the study session and make them readily available to the development community. In addition to providing a breakdown of cost per unit, this model would be used as the basis for analyzing future changes to fees and presenting information on upcoming increases.

b. Affordable Housing

Private, Public, and Nonprofit Investments:

It is essential for our regional economy that workers of all incomes be able to live near their jobs and pay reasonable housing prices. Major Silicon Valley firms have recently begun to increase their investments in affordable housing. The Housing Trust of Silicon Valley has created The Tech Fund (Tech + Equity + Community + Housing) to provide start-up capital to affordable housing developments. LinkedIn recently invested \$10 million into the fund, increasing the total amount of investment to \$30 million. Cisco announced last month a \$50 million commitment to Destination:Home to support the development of permanent supportive housing and ELI housing. And finally, the Chan Zuckerberg Initiative is planning a regional housing fund as a vehicle for private investments. This activity demonstrates that major employers are beginning to invest in affordable housing. Staff's recommendation expands the Mayor's proposal to leverage private dollars to finance not only housing for the "missing middle," but also to finance lower-income affordable housing developments.

In addition to a potential fund, staff is taking several actions to promote moderate-income housing, which cannot be funded with low-income housing tax credits and therefore are more infrequently produced. This includes: counting market-rate apartments with moderate-level rents towards Regional Housing Needs Allocation goals; examining different private financial products and partners for the creation of moderate-income rental housing in our market; collaborating with the Silicon Valley Housing Trust to promote use of its new ADU program; creating more City strategies to promote ADUs; and examining other tools such as federal Opportunity Zones as a potential incentive to create moderate-income housing. Finally, the Housing Department is engaging a consultant to develop a broad moderate-income housing strategy to address the needs of the missing middle. The Department will bring a moderate-income strategy to the Community and Economic Development Committee in late 2018.

Given the City's \$125,000 per unit funding cap, affordable housing developers will need to leverage other sources such as those from County Measure A. As the pipeline of

affordable housing developments continues to grow, the Housing Department will prioritize funding requests from developers that apply for the State's Affordable Housing and Sustainable Communities Program (AHSC). AHSC is one of the State's largest affordable housing funding programs that also can fund cities' much-needed nearby infrastructure improvements that reduce greenhouse gas emissions. For the City's AHSC strategy to work, it is important that the organization devote significant focus and ongoing staff resources to plan and execute AHSC projects.

Commercial Impact Fee:

The Housing Department has published a chart of potential funding sources for affordable housing that have been considered in the past. The Housing Department's April 23, 2018 memo to the Community and Economic Development Committee provides a brief description about the sources, some of which require a vote of the people to implement. Many of the sources identified are used to fund affordable housing in other communities. There are very limited options that do not require voter approval. The Commercial Impact Fee (CIF) is one option that the City Council previously reviewed. In March, 2017 City Council directed staff to explore regional partnerships and study how a regional fee structure or revenue-sharing might address the need. Staff was directed to postpone reconsideration of a potential CIF following completion of deliberations by other cities. On January 12, 2018, staff released an Information Memorandum on the progress of the regional grand nexus study for commercial impact fees. The Housing Department is waiting to find out what action, if any, the City of Milpitas is going to take and will return to the City Council with a final report for further direction.

Staff recommends the following sequence of steps:

- Set a September date for a City Council Study Session on "Cost of Development: Commercial and Industrial", with a similar development prototype- and geography-based approach taken for the Housing Cost of Development Study Session
- Continue to advocate for a regional approach to scaling CIF's, a regional jobs-housing linkage fee
- Initiate the Nexus Study for a Commercial Impact Fee for the Diridon Station Area, as part of a potential "Diridon Transit Area Infrastructure Fee Program"
- After the Study Session and Diridon Area Study, consider initiation of a citywide Nexus Study, which would document the linkage between types of development, the new workers employed in the space, the need for affordable housing, and maximum legally supportable CIF that could be imposed (offices, R&D facilities, manufacturing facilities, retail stores, hotels, warehouses)
- In the Fall, after the Study Session and Diridon Area Study, consider initiation of a Financial Feasibility Study to estimate what level of commercial impact fee could be absorbed by the market for different development types in different geographic locations, given current commercial rent levels and the cost of development in San

José. Also, assess potential impact on San José's competitiveness vis a vis other Santa Clara County cities and Fremont, and on the City's jobs to employed resident imbalance.

Mixed-Income Development:

Consider allowing mixed-income developments to proceed within an Urban Village ahead of a Growth Horizon. This change would benefit development of both affordable and market-rate apartments, and fits with other tools that help affordable housing production. State streamlining applies in San José for all developments that are at least 50% restricted affordable and meet other defined criteria, so it is possible that the City could already be required to approve some mixed-income developments in Urban Villages in a future horizon. Tax-exempt bond financing, a frequent financing tool for mixed-income affordable developments, requires at least 20% or 40% of units to be affordable, depending on depth of affordability. If the City Council wants to explore this strategy, staff recommends that it be considered during the next Four Year Review of the General Plan scheduled to be initiated in 2019.

Refine General Plan Policy H-2.9 (the "1.5-acre rule"):

Complete a comprehensive review of General Plan Policy H-2.9 and evaluate if SB 35 streamlining can be applied to affordable housing developments on these sites SB 35. Objective definitions should be adopted to define what "underutilized" and "viability of surrounding commercial properties" means so that developers can take advantage of existing streamlining law and the existing General Plan. Staff recommends that this review begin immediately.

100% Affordable Zoning Code Amendment:

Affordable housing development is essentially compatible with commercial areas. The zoning code could be amended to enable affordable developments to proceed by-right with a Site Development Permit. Development applications could be approved by the Planning Director and be appealed to the Planning Commission. This change would facilitate more efficient development timeframes, would reduce costs, and would increase development certainty.

Commercial Space Requirements:

Ground floor commercial and community uses bring jobs, amenities, and street activation to a neighborhood. However, many affordable housing developments are facing challenges filling traditional commercial space because affordable housing financing cannot be used to fund the commercial space. There are three issues that consistently arise with the ground floor commercial requirement for an affordable housing development: 1) Commercial interior spaces sometimes remain unimproved which adds additional risk to the affordable housing development; 2) ground floor commercial space is sometimes difficult to rent once it is completed, and rents derived are frequently low; and 3) ground floor commercial space reduces the number of affordable apartments that can be created which in turn increases per unit subsidy requirements. Housing Department staff would work with staff from both

PBCE and OED to consider potential changes to the commercial space requirements for affordable housing.

Affordable Housing Land Acquisition:

Finding a suitable site for an affordable housing development is a challenge in San José's real estate market. High land prices and competition for sites make it difficult for an affordable developer to acquire land. The lack of viable sites is often identified as a primary obstacle to affordable housing developments. Developing a pipeline of sites will ensure that available funds are deployed as quickly as possible and could help to accelerate the expenditure of Measure A funds. This recommendation builds on the Mayor's recommendation to better identifying housing sites. The City, could identify and map underutilized or surplus publicly-owned sites, and small sites that meet the 1.5-acre rule, to facilitate the development of affordable housing.

Land Acquisition Loan Fund:

The City provides limited funding for land acquisition; however, it is very difficult for City staff to get City Council approval and close land acquisition loans in less than 120 days. There is also a small degree of uncertainty in the City Council funding approval process. This lead time is too long for affordable housing developers to compete with market-rate developers, who can make cash offers and close in 30 days. City staff only has the authority to approve a predevelopment loan of up to \$100,000, \$90,000 of which must be secured, without going to the City Council for approval. The site must also have the appropriate zoning and the environmental review must be completed. Creating or investing in an Acquisition Fund that is nimble and flexible will allow affordable housing developers to compete quickly in today's real estate market. The Acquisition Fund would be used to acquire land and buildings for future affordable housing development.

Land Trust:

Community land trusts (CLTs) are an established long-term affordability tool employed across the country. A CLT is organized to hold land and buildings for the benefit of the community and/or individuals. The acquired land can be vacant, residential, or commercial, but the goal is to determine the best use of the land and develop it accordingly. The CLT could work in conjunction with the acquisition fund to acquire and hold land until an affordable housing developer is identified. This reduces the risk and cost of holding the land for the developer. The land trust could hold the land in perpetuity to protect the community investment, and could ensure that ongoing affordability is present in key locations throughout the City. Or, the City could evaluate its capacity to purchase and hold land as an alternative to developing an independent CLT. Staff is currently researching CLTs' appropriateness for San José.

III. Lower Priority/Lower Return Projects: To Be Initiated

This Housing Crisis Workplan includes a number of items that are not anticipated to contribute significantly to the City's housing production goal; the projected number of units to which an item would contribute is provided for each item. While not anticipated to have

a significant impact, staff will still address the items at a later date. They will be given lower priority than the items listed above in this workplan.

- Update Downtown Zoning requirements to establish a minimum height and density and eliminate parking requirements (Units: 0)
- Explore public/private parking opportunities (Units: 0)
- Expand the Downtown boundary (Units: 0-150)
- Explore CFDs for payment of fees (Units: 0)
- Reimagine underutilized business corridors to allow the integration of housing (Units: 100-200)
- Pursue amendments to the General Plan to allow infill on problem/nuisance properties (Units: 0-50)
- Allow infill housing on isolated employment lands (Units: 0-100)
- Identify non-viable commercial or office sites for housing (Units: 0-100)
- Explore opportunities to leverage private dollars to finance housing for the "Missing Middle" (Units: unknown)
- Require elevated affordable housing inclusionary requirements for housing conversions without City consent (Units: 0)
- Explore micro housing for the homeless on Caltrans Sites (Units: 0 - 25)

IV. Items with No Work Currently Proposed

The items below were given a yellow light, because they could not be addressed with existing resources, and were sent to City Council Priority Setting Session for prioritization on October 17, 2017. At this Priority Setting Session, these items did not get enough votes to be added to the Council Priority list. Given this, no work is proposed on these items at this time and they will not be included in the Housing Crisis Workplan.

Student Housing:

Working with the Planning Department of San José State University, identify additional opportunities (without DC zoning) to accommodate more housing for students, University staff, and the community.

Regional Fee Study:

Solicit private sector developer partners to fund a regional fee study that fairly assesses the aggregate cost of impact, regulatory, and processing fees in jurisdictions throughout the Valley, and enables comparisons of those fees for apples-to-apples projects.

Teacher Housing:

Report to Council regarding the response of school districts to the City's efforts to offer City help in funding affordable housing development on school district land for teachers and school staff, and enlist Mayor and Council in identifying and advocating with supportive districts to launch pilot efforts.

One Color on the Map:

Align the zoning districts of properties with those General Plan land use designations to reduce processing time and staff work, and make land use decisions more transparent.

Empty Home/Empty Parcel Fee:

Evaluate legal and policy justification for an “empty home” fee, similar to the city of Vancouver, British Columbia, to incentivize expansion of rental housing supply, and to generate dollars for affordable housing.

Proposed Housing Crisis Workplan

#	Item	Lead Department	Status
<i>I. Council Prioritized/Directed+ High Return+ Work Underway</i>			
1	Transition Traffic Analysis from LOS to VMT:	DOT/PBCE	Complete
2	Continue to implement Urban Villages: a. Implementation Framework: b. Move Horizon II Light Rail Villages into Horizon I	PBCE/OED PBCE	Complete Fall 2018
3	Update the Accessory Dwelling Unit and Garage Conversion ordinance	PBCE	Council June 19, 2018
4	Make addition residential units available in North San José	OED/Housing	Fall 2018
5	Complete the Downtown Vision and EIR	PBCE	Fall 2018
6	Complete the West San José Urban Village EIR	PBCE/DOT	Fall 2018
7	Complete the PDO/PIO Fee Study	PRNS	Initiate Spring 2019
8	Engage CASA on regional housing production	Housing	Spring 2019
9	Develop Anti-Displacement and Dispersion Strategies	Housing	Summer 2019
10	Advocate for State legislation that supports housing development	CMO/Housing	Ongoing
11	Explore deferral of payment of fees to Certificate of Occupancy	OED/PBCE	Fall 2018
<i>II. Other High Return Strategies: Initiate/Continue Work Next</i>			
12	Move-up Tri-Village Urban Villages to Horizon I	PBCE	Fall 2018
13	Extend the Downtown Highrise Incentive	OED	August 2018
14	Create a Housing Concierge Service	OED/PBCE/Housing	Summer 2018
15	Explore extending permit timelines	PBCE	Spring 2019
16	Publish cost of residential development models	OED	Fall 2018
17	Encourage private, public, and nonprofit investments	Housing	Ongoing

#	Item	Lead Department	Status
18	Explore options for a Commercial Impact Fee	OED/Housing	Spring 2019
19	Explore allowing mixed-income development ahead of Urban Village Plans through the four-year review	PBCE	Initiate Fall 2019 (GP Four Year Review)
20	Refine General Plan Policy H-2.9 (the "1.5-acre rule")	PBCE/Housing	Fall 2018
21	Amend the Zoning Ordinance to allow for 100% Affordable	PBCE	Spring 2019
22	Explore changes to Commercial Space Requirements for Affordable	OED/PBCE/Housing	Winter 18/19
23	Affordable Housing Land Acquisition Sites	Public Works/PBCE/Housing/OED	Spring 2019
24	Explore the creation of a Land Acquisition Loan Fund	Housing	Feasibility assessment Fall 2018
25	Explore the creation of a Land Trust	Housing	Research late 2018
26	Hire an Affordable Housing Planner	PBCE	Summer 2018
III. Lower Priority/Lower Return Projects: To Be Initiated			
27	Update Downtown Zoning requirements to establish minimum height and density and eliminate parking requirements	PBCE	Spring 2019
28	Explore Public/Private Parking opportunities	OED	To Be Initiated
29	Expand the Downtown boundary	PBCE	Spring 2019
30	Explore CFDs for payment of fees	OED	To Be Initiated
31	Reimagine Underutilized Business Corridors to allow the integration of housing	PBCE	Spring 2019
32	Pursue changes to the GP to allow infill on problem properties	PBCE	Fall 2019
33	Allow infill housing on isolated employment lands	PBCE	Fall 2019
34	Identify non-viable commercial or office sites for housing	OED	Fall 2019
35	Leverage private dollars	Housing	To Be Initiated
36	Housing conversions without City Consent	PBCE	Fall 2019
37	Explore interim housing solutions on Caltrans Sites	Housing	In process

EVALUATION AND FOLLOW-UP

Items requiring Council approval will be brought forward for consideration per the proposed workplan. Staff will also provide annual progress reports on the Housing Crisis Workplan to the Community and Economic Development Committee.

PUBLIC OUTREACH

This memorandum will be posted on the City's Council Agenda website for the June 12, 2018 City Council meeting.

COORDINATION

The memorandum has been coordinated with the City Attorney's Office, Department of Transportation, Department of Public Works and the Department of Parks, Recreation, and Neighborhood Services.

COMMISSION RECOMMENDATION/INPUT

There is no Commission action associated with this item.

CEQA

Not a Project, File No PP17-009 (a), Staff Report, Assessment, Annual Reports and Informational memos that involve no approval of City action.

/s/
KIM WALES
Deputy City Manager
Director of Economic Development

/s/
ROSALYNN HUGHEY
Director
Planning, Building and Code Enforcement

/s/
JACKY MORALES-FERRAND
Director
Housing Department

For questions please contact Chris Burton, Deputy Director at (408) 535-8114; Michael Brilliot, Division Manager at (408) 535-7831; or Kristen Clements, Division Manager at (408) 535-8236.



Memorandum

TO: COMMUNITY AND ECONOMIC
DEVELOPMENT COMMITTEE

FROM: Chris Burton
Rosalynn Hughey
Jacky Morales-Ferrand

**SUBJECT: HOUSING CRISIS
WORKPLAN UPDATE**

DATE: February 11, 2019

Approved

Date

2/15/19

RECOMMENDATION

Accept staffs report updating the Committee on staffs' progress implementing the City Council approved Housing Crisis Workplan. Staff will provide details on policy actions underway and completed, an update on the Housing Catalyst team, and market-rate and affordable housing production.

BACKGROUND

On September 28, 2017 the Mayor issued a memorandum entitled "Responding to the Housing Crisis." This memo identified a large number of items to address the housing crisis and directed staff to identify which items could be implemented within an existing work programs, which items required additional resources and prioritization at the October 17, 2017 Priority Setting Session, and which items would consume undue staff time, public cost or risk that would outweigh their likely benefit.

On October 12, 2017, Staff wrote a supplemental memo to City Council which identified 1) which items were "green light" items that staff would add to their department workplans; 2) which items were "yellow light" items that should be prioritized, and 3) which items would consume undue staff time, public cost or risk that would outweigh their likely benefit.

On October 17, 2017, City Council voted on those items that were considered "yellow" light as part of the Council Priority Setting Session. Of the seven "yellow" light items, two moved forward to prioritization and five did not receive sufficient votes to move forward (these items are detailed for reference in the attached copy of the original memorandum to Council on the Housing Crises Workplan). The update to the Accessory Dwelling Unit and Garage Conversion ordinance was ranked as Council Priority #9.

On April 23, 2018, staff presented the Affordable Housing Investment Plan to the Community and Economic Development (CED) Committee. The Affordable Housing Investment Plan memorandum included potential strategies to help support the development of affordable housing.

On June 12, 2018, staff brought forward the proposed Housing Crisis Workplan, which incorporated strategies from the Affordable Housing Investment Plan. At that time, the City Council approved the Housing Crisis Workplan and directed staff to return with an update to the full City Council through the Community and Economic Development Committee in February 2019.

ANALYSIS

The work contained in the Housing Crisis Workplan (the Workplan) balances the development of policies and programs that encourage housing development, with the need to support implementation and deliver housing units. The Workplan contains a variety of projects— some are newly initiated, and others align with other work already underway. For the purposes of tracking progress, staff is presenting the Committee with an update on the policy and programmatic changes included in the Workplan that are either completed, in-progress, or waiting to be initiated. In addition, this report provides an update on affordable and market-rate housing production since this work began, to provide context and assess any potential impacts of the changes undertaken. For the purposes of this reporting, housing production is being measured from January 1, 2018 to align with reporting to the State Housing and Community Development Department (HCD) on the City's Regional Housing Needs Allocation (RHNA). A copy of the original memorandum prepared for the City Council, and additional details on each of the items included in the Workplan, are attached for reference.

In addition to providing on-going Workplan updates to the Community and Economic Development Committee, staff will report on housing production to the Ad Hoc Committee for Housing Construction and Development Services.

Housing Market Context

Through the latter stages of the current economic cycle, the San José housing market has continued to mature and slow due to increases in the costs associated with new construction, and the flattening of rents relative to these increased costs. Within this context, development remains challenging in many parts of San José, but some projects already in the pipeline are proceeding in the near-term.

During the April 26, 2018 City Council Cost of Development Study Session, staff presented an average permit cost for multi-family residential development, and a series of residential development models based on a Conceptual Pro Forma Analysis prepared for the April 26th Study Session by Keyser Marston Associates

(<https://sanJose.legistar.com/View.ashx?M=F&ID=6209078&GUID=035FC9E3-3066-4071-8666-28BA80D7AE33>).

Staff will refine and update the cost of development models created for the study session and will make them available to the Council and the community upon completion later this spring (item #16 from the original workplan). In addition, staff has completed additional analysis on high-rise residential development in the Downtown to explore the impacts associated with the continuation of the Downtown Highrise Incentive (item #16 from the original workplan). While extension of the Highrise Incentive has not been brought to Council (due to additional consideration related to Council direction on workforce standards for private projects receiving a public subsidy), staff has attached the additional analysis completed by Keyser Marston in September 2018 as a way of providing additional context on the current economic conditions for high-rise residential development.

Housing Production

The Housing Crisis Workplan is intended to focus staff's efforts on delivering housing units by creating focused resources, providing clarity and consistency within the regulatory framework, and creating an economic environment that supports the development of new residential development. These efforts are intended to move projects to construction in the near term, increase the number of housing entitlements approved by the City, and position developers and their projects to be able respond quickly to market conditions. As part of the recurring update on the Workplan, staff is monitoring five key performance indicators that are within the control of the City:

- residential development capacity (measured in housing units) made readily available through the creation of new, or modification of existing, policies and regulations;
- the number of residential units that receive approval through the development review process (planning approvals);
- the number of units that receive approval through the issuance of building permits;
- the number of affordable units contained in approved Affordable Housing Compliance Plans; and
- the number of units reaching completion through the receipt of a Certificate of Occupancy.

These indicators are intended to demonstrate the ongoing effect of the efforts contained in the Workplan by demonstrating the link between policy development, regulatory streamlining, and housing production.

The following table includes work completed and housing production data between January 1, 2018 and December 31, 2018.

Housing Production (January 2018 – December 2018)

Type of Housing	Capacity Made Readily Available Through Policy Work	Units Receiving Planning (entitlements) Approvals	Units Receiving Building Permits	Units Receiving Occupancy
Market Rate	--	112	2,827	797
Affordable	--	352	563	31
Total	14,255	193	2,973	827

Between the years of 2010 and 2017, an average of 2,800 units were built per year. Building permits issued for new residential units exceeded that average in 2018; however, less than 200 units received Planning entitlements. Entitlements for new residential units are expected to increase in 2019, as over 4,500 units are pending Planning approval. In December 2018, City Council approved shifting the Winchester, Santana Row/Valley Fair, Stevens Creek, and South Bascom (North) Urban Villages from Horizon 3 to Horizon 1 (item # 12 from the original workplan), making 10,255 units available to be entitled. City Council also approved in December 2018, the shift of 4,000 housing units from Horizon 3 Urban Villages to the Downtown as part of the Downtown Strategy 2040 (item # 5 from the original workplan), effectively making a total of 14,255 new units available for development. The 14,255 units could be developed as new market rate or affordable housing units.

The Housing Department recently published its Production and Preservation Report which details the status of affordable housing developments in San José and its progress to reaching the 10,000-unit affordable housing goal. The Report includes information about multifamily affordable housing developments and preservation activity of existing deed-restricted affordable units in San José. Between January 1 and December 31, 2018 946 affordable housing units were completed, under construction, or entitled. There are an estimated 2,441 prospective affordable units that are anticipated to be entitled and added to the pipeline. If the proposed projects complete their entitlement processes and receive funding commitments, this would bring the City more than a quarter of the way to the 10,000-unit affordable housing goal.

Housing Catalyst Team Update

The City's role in regulating and facilitating residential development requires collaboration between all the departments involved in the Community and Economic Development City Service Area (CED CSA), and especially those that make up Development Services. In addition, a cross-functional team has been established to manage the Housing Crisis Workplan, and act as a catalyst to drive new housing entitlement and production. Staff from OED's (Office of Economic Development) Business and Economic Development Team, PBCE's (Planning, Building & Code Enforcement) Citywide Planning Division, and the Housing Department's Policy and Planning Team have formed the Housing Catalyst Team which comprises 10 FTEs

drawn from a combination of existing staff resources and new positions included in the FY 2018-2019 budget.

In addition to developing the policy framework outlined in the Workplan, the Housing Catalyst Team is working to facilitate and promote both market rate and affordable housing opportunities throughout San José. This Team works to assist housing developers with site selection, and helps navigate the City's permitting and entitlement process. This Team's scope of work also includes proactively identifying and marketing housing sites or opportunities to potential developers and investors. In partnership with the Office of Civic Innovation and Digital Strategy, the Team is working to develop a spatial database of housing opportunity sites.

The inter-departmental Housing Catalyst Team consists of the following staff:

Planning, Building & Code Enforcement:

- Michael Brilliot, Deputy Director
- Jared Hart, Division Manager
- Planner IV (hiring) - Housing Catalyst Team lead and Housing Crisis Workplan Planner
- Ruth Cueto, Destination: Home Homeless/Affordable Housing Planner
- Planner II/III (hiring) - Housing Policy Planner

Housing Department:

- Rachel VanderVeen, Deputy Director
- Kristen Clements, Division Manager
- Amy Chen, Inclusionary Housing Manager

Office of Economic Development:

- Chris Burton, Deputy Director
- Housing Catalyst/Executive Analyst (hiring).

Last year, the Housing Department received a \$540,000 grant from Destination: Home Silicon Valley, a local public/private partnership focusing on solving homelessness, to fund a Homeless/Affordable Housing Planner position in PBCE for three years. The Destination: Home planner will become an integral part of the Housing Catalyst Team, focused on expediting affordable housing applications that have at least a 30% set-aside for permanent supportive apartments for homeless residents or extremely low-income residents. Currently in process, there are 12 affordable developments with over 1,500 units that may meet this definition.

In addition, the City Council approved through the budget process an additional Executive Analyst position in OED to act as concierge service. This position will provide services similar to those currently provided to businesses and developers but will be focused exclusively on housing development. Due to staff turnover throughout the Office of Economic Development, the recruitment of this position was delayed through the first half of the fiscal year. The hiring process was begun prior to the end of 2018 and is currently ongoing.

The Planning Division portion of the Housing Catalyst team will reside under Citywide Planning led by Deputy Director Michael Brilliot and Division Manager Jared Hart. The Team consists of three full-time positions: A Planner IV and two Planners II/III's. In addition to managing the completion of the Housing Crisis workplan items, the Planner IV will provide predevelopment/pre-application assistance to both market rate and affordable housing developers, will evaluate, and provide input on pending State legislation related to housing, and will oversee implementation of new State laws that have passed, including streamlined permitting for eligible affordable housing developments. One of the new Planner positions on the team is the Destination: Home position discussed above. The other is a Planner II/III position that will focus on Housing Policy and completing the Housing Crisis Workplan items, including ordinance and General Plan amendments.

Lea Simvoulakis was in the process of transitioning from the Ordinance and Policy team to the Housing Planner IV position but left the City and the area in January. Staff are currently recruiting for the Planner IV and the Housing Crisis Workplan Planner positions and anticipate filling both positions in March.

Workplan Updates

The following table outlines the status of the work items included in the Council-approved Housing Crisis Workplan. The items are broken into three categories: Work Items Completed, Work Items Initiated or Underway, and Work Items to be Initiated.

Additional details on each of the items included in the Workplan can be found in the attached copy of the original memorandum prepared for the City Council (<https://sanJose.legistar.com/LegislationDetail.aspx?ID=3512944&GUID=52ABE23F-BABE-427E-A995-68DD0F4932DC&Options=&Search>) .

Housing Crisis Workplan

Item	Lead Department	Month Completed
<i>I. Work Items Completed</i>		
Transition Traffic Analysis from LOS to VMT:	DOT/PBCE	Feb. 2018
Continue to implement Urban Villages:	PBCE/OED PBCE	May 2018
a. Implementation Framework:		Dec. 2018
b. Move Horizon II Light Rail Villages into Horizon I		
Update the Accessory Dwelling Unit and Garage Conversion ordinance	PBCE	June 2018
Complete the Downtown Vision and EIR	PBCE	Dec. 2018
Move-up Tri-Village Urban Villages to Horizon I	PBCE	Dec. 2018

Engage CASA on regional housing production – CASA Compact Report https://mtc.ca.gov/sites/default/files/CASA_Compact.pdf	Housing	January 2019
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II. Work Items Initiated and Underway

Item	Lead Department	Planned Completion
Create a cross-departmental Housing Catalyst Team	OED/PBCE/ Housing	Spring 2019
Hire a Planner III to manage entitlements for affordable housing that includes permanent supportive or extremely low-income apartments		Completed Feb. 2019
Make additional residential units available in North San José	DOT/OED/ Planning/Housing	Spring 2019
Develop Anti-Displacement and Dispersion Strategies	Housing	Fall 2019
Advocate for State legislation that supports housing development	CMO/Housing	Ongoing
Explore the City's impact on the cost of residential development, including: <ul style="list-style-type: none"> the deferral of fees to Certificate of Occupancy the appropriate level of fees and the use of incentives the impact of permit and entitlement timelines the predictability and transparency of City development and impact fees 	OED	Ongoing
Complete the PDO/PIO Fee Study	PRNS/CMO	Winter 2020
Encourage private, public, and nonprofit investments	Housing	Ongoing
Explore options for a Commercial Impact Fee	CMO/OED/ Housing	Spring 2020
Refine General Plan Policy H-2.9 (the "1.5-acre rule")	PBCE/Housing	Partially Completed Fall 2018 Fully Complete Summer 2019
Explore changes to Commercial Space Requirements for Affordable Developments	OED/PBCE/ Housing	Start Fall 2019 (GP 2040 Four- year Review)
Affordable Housing Land Acquisition Sites Database	Public Works /PBCE/Housing/ OED	On hold due to lack of funding

Leverage private dollars for affordable housing	Housing	In progress
Explore the creation of a Land Trust	Housing	Research underway, to be completed mid-2019
Explore interim housing solutions on Caltrans Sites	Housing	In Process

III. Work Items To Be Initiated

Item	Lead Department	Planned Initiation
Update Downtown Zoning requirements to establish minimum height and density and eliminate parking requirements	PBCE	Fall 2019
Amend the Zoning Ordinance to allow for 100% Affordable	PBCE	Summer 2019
Explore allowing mixed-income development ahead of Urban Village Plans through the GP 2040 Four-year Review	PBCE	Initiate Fall 2019
Explore Public/Private Parking opportunities	OED	To Be Initiated
Expand the Downtown boundary	PBCE	Spring 2020
Explore CFDs for payment of fees	OED	To Be Initiated
Reimagine Underutilized Business Corridors to allow the integration of housing	PBCE	Fall 2019
Pursue changes to the GP to allow infill on problem properties	PBCE	Fall 2019
Allow infill housing on isolated employment lands	PBCE	Fall 2019
Identify non-viable commercial or office sites for housing	OED	Fall 2019
Housing conversions without City Consent	PBCE	Fall 2019
Explore the creation of a Land Acquisition Loan Fund	Housing	To be Initiated

Additional Information on Items in the Work Program

The Housing Crisis Workplan is intended to respond to the difficult development conditions by looking for opportunities to accelerate “shovel-ready” development projects to move forward during the current cycle and ensure that development projects are poised to respond to any changes in economic conditions. Items have been added or are under consideration through the Council prioritization process to support new development, including development of a new ordinance to facilitate co-living communities, and aligning the zoning code with the General Plan to facilitate new housing and jobs development.

Expand the Downtown Boundary – Staff met with the Office of the Mayor and City Council District 3 to discuss potential strategies to expand housing in the Downtown area by expanding the existing boundary of Downtown and/or through other policy amendments that would allow additional housing to be built outside of the existing boundary of Downtown. As a result of staff analysis and the discussion at this meeting, a number of work items were identified. These items included 1) exploring modifying the Martha Gardens Specific Plan to allow high density mixed uses along Keyes Street and to allow higher density residential uses along both sides of South First Street South of 280 highway, and 2) exploring opportunities for the integration of additional high-density residential or mixed-use development in the neighborhoods surrounding San José State, including exploring opportunities along South 10th and 11th Street and on existing commercial properties within the University Neighborhoods. These items have been added to the Housing Crisis workplan. Given the identified opportunities and constraints, this work item does not include expanding the boundary of the Downtown in the General Plan, but instead focuses on policy changes to allow additional housing development outside and adjacent to Downtown.

New Items Not Previously Included in the Workplan

Aligning the Zoning with the General Plan – In the approved budget for FY 18-19, direction was given to PBCE to undertake work to align the City's zoning code with the General Plan to facilitate development consistent with the General Plan. Funding was provided for one year for a Planner I/II/III to undertake Phase I of this project, which included a comprehensive review of the zoning ordinance to identify needed amendments to bring about consistency with the General Plan. Phase II includes strategically rezoning private properties consistent with the General Plan to facilitate housing and jobs development. As part of the current budget cycle, Staff has submitted a budget proposal to fund this work in FY 20-21 and FY 21-22.

In 2018, the California Legislature passed SB 1333 as another measure to facilitate housing in the State. SB 1333 includes a requirement that Charter Cities, like San José, bring their zoning maps into conformance with their general plans' land use diagrams. As a Charter City, San José previously had not been required to have consistency between the zoning and the General Plan land use designation of properties, and the zoning of thousands of properties in San José is inconsistent with the General Plan. Staff are currently evaluating the implications of this bill for San José, and what additional resources will be needed to meet its requirements.

Co-living Ordinance – Since the adoption of the Workplan, Staff have been approached by developers who want to build co-living housing projects in Downtown San José. Co-living is a new living concept for San José, where individuals or couples rent a bedroom and then share a kitchen, living space and amenities with other residents of the building. These developments are more upscale, than typical Single Room Occupancy properties. To facilitate this new housing type, staff have prepared zoning code amendments, which went to Planning Commission for a recommendation on January 30, 2019 and will be coming to City Council for its consideration on February 26, 2019.

Opportunity Zones – The new Federal Opportunity Zone program represents an opportunity to attract new investment into less developed parts of the city. San José has the largest number of designated Opportunity Zones in the Silicon Valley region. Per the Federal tax law's requirements, the City's 11 Zones are census tracts where household income or poverty rates met certain thresholds, and which also showed promise for business expansion or development. San José's zones exhibit geographical, economic, and demographic diversity, with areas including urban neighborhoods, light and heavy industrial clusters, commercial pockets, suburban office parks and small-business corridors. Staff will be providing an update on the program and its potential to the Community and Economic Development Committee at the February 25th meeting.

SB 35 (2017) Streamlining for Affordable Housing – Last year, the state legislature passed SB 35, which provides for a streamlined approval process for housing projects in those cities that not meeting their RHNA housing production goals. For San José, this provides a streamlining opportunity for housing developments that include 50 percent of the units as restricted affordable and are proposed for certain types of sites. Staff has evaluated one request for SB 35 streamlining and has developed a response format that reviews the requirements. While that submission was unsuccessful in meeting all requirements, staff is implementing the requirements of the legislation. An additional work item for the Planning Housing team is to develop a process for processing housing projects requesting SB 35 streamlining. This work item has not yet been initiated but will be initiated following the filling of the Planning IV Housing position.

SB 2162 (2018) Streamlining for Supportive Affordable Housing – Similar to SB 35, the State Legislature passed SB 2162, which provides for a streamlined entitlement process for affordable housing developments that include a minimum percentage of supportive housing units. With the filling of the Planner IV Housing position, staff will also develop this streamlining process. Staff is not aware of any applications that have tried to use SB 2162 streamlining yet.

Workplan Items Dropped

West San José Urban Village EIR – The primary purpose of the West San José EIR was to provide a project level environmental clearance for traffic level of service (LOS) impacts for projects proposed in the Santana Row/Valley Fair, Stevens Creek, Winchester, South Bascom and West San Carlos Urban Villages. With the passage of SB 743 and the City's adoption of Transportation Council Policy 5-1, the City no longer uses LOS as a CEQA threshold for transportation impacts, and now uses Vehicle Miles traveled. During the process of developing Council Policy 5-1, preliminary VMT analyses of potential developments consistent with the five West San José Urban Village plans were not projected to have unmitigable VMT impacts, thereby precluding the need to prepare an EIR or special development policy for the West San José Urban Villages. Staff therefore, is not proposing to prepare an EIR for West San José and is dropping this item from the Housing Crisis workplan.

EVALUATION AND FOLLOW-UP

Policy items from the Workplan that require City Council approval will be brought forward for consideration per the proposed Workplan timelines. Staff will also provide semi-annual progress reports on the progress of ongoing policy work to the Community and Economic Development Committee, and will provide updates on the development of housing units through the Ad Hoc Committee for Housing Construction and Development Services.

/s/
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/s/
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Attachments:

Housing Crisis Workplan Council Memo dated June 1, 2018

Keyser Marston Associates Draft Memo on Downtown Incentives dated September 27, 2018